

**GOVERNORS' CLIMATE & FORESTS TASK FORCE**  
**WORKING GROUP 2**  
**Forest Carbon Accounting Frameworks & Coordination Mechanisms**

**Objective:** Assess and advise the GCF on carbon accounting frameworks and coordination mechanisms for ensuring that REDD project activities are:

- (1) Properly accounted for and credited at state/province and/or national levels;
- (2) Coordinated with state/province and national REDD strategies and GHG mitigation actions and commitments; and
- (3) Consistent with requirements for local participation and benefit-sharing.



***GCF WORKING GROUP 2***  
***Los Angeles, CA***  
***September 28-29, 2009***

## Working Group 2: Composition

### **GCF members of the Working Group:**

- Mato Grosso (Chair: Jefferson de Castro)
- California
- Illinois
- Papua
- Wisconsin

### **NGO members:**

- Forest Trends
- Environmental Defense Fund
- IPAM
- IDESAM

**Consultant:** GCF Advisor William Boyd

## Working Group 2: Overview & Rationale

### □ Rationale for Working Group 2

- Satisfying project-level criteria & standards will very likely NOT be sufficient to generate compliance-grade REDD offsets from Brazil or Indonesia for US markets
- Therefore, must develop frameworks to reconcile project-level accounting with jurisdiction-wide accounting (at state/province or national level)

### □ Advantages of jurisdiction-wide accounting

- Easier to account for intra-jurisdictional leakage
- No need to prove additionality
- Permanence and enforceability can be handled at state or national level
- Provides basis for coordinating different project-level activities

### □ Challenges of jurisdiction-wide accounting

- Reconciling project-level performance with performance at jurisdictional level – what happens if project performs and state does not?
- Establishing workable crediting mechanisms and benefit sharing frameworks for project-level activities

## □ ***State example:***

The California Air Resources Board (ARB) Scoping Plan (which is the framework for implementing California's climate change legislation) endorses the concept of accepting offsets from "those jurisdictions that demonstrate performance . . . in reducing emissions or enhancing sequestration through eligible forest carbon activities *in accordance with appropriate national or sub-national accounting frameworks*" (emphasis added).

- **U.S. Federal Example: U.S. Proposed Federal Legislation, H.R. 2454, the “Waxman-Markey” climate bill provides that:**
  - Offsets from subnational REDD activities in Brazil and Indonesia will be awarded based on performance relative to a state/province-level deforestation baseline
  - Deforestation baseline must be based on avg. historical deforestation rates in state/province for at least 5 years (and “other factors”)
  - State/province-level activities must be consistent with existing nationally-appropriate mitigation commitments or actions
  - Legislation requires assurance of local participation in project activities and sharing of carbon revenues with local communities and indigenous peoples
  - Subnational activities phased out five years after the U.S. compliance system takes effect, at which point only national-level reductions from Brazil or Indonesia would be recognized.

## WG 2 – Scope of Work

- Accounting Frameworks & Capabilities
  - ▣ Forest carbon inventory & monitoring capabilities
  - ▣ Baselines & reference scenarios
  - ▣ Forest carbon registries
  - ▣ Verification & enforceability
- Coordinating Mechanisms
  - ▣ REDD planning
  - ▣ Crediting options
  - ▣ Carbon revenue tracking & distribution
  - ▣ Local participation & benefit-sharing frameworks

### **Accounting Frameworks & Capabilities - Forest Carbon Inventory and Monitoring Capabilities**

- Assess the current capabilities in GCF states/provinces to use remote sensing technologies combined with “ground truthing” (consistent with the existing IPCC Good Practice Guidance for Land Use Land Use Change and Forestry) to provide information about and monitor changes in forest carbon stocks
- Identify and work with experts to develop transparent and user-friendly platform to map changes in forest carbon stocks over time in a manner that allows for rigorous carbon accounting
- Determine actions and resources needed to develop state- and province-level forest carbon maps that can be used as a basis for monitoring performance going forward and that are compatible with similar state /province and/or national mapping efforts

## **Accounting Frameworks & Capabilities – Baselines & Reference Scenarios**

- Examine existing approaches to establishing baselines and reference scenarios in light of the requirements of emerging compliance regimes in the U.S.
- Develop recommendations for baseline methodologies in GCF states/provinces that are flexible enough to capture the different circumstances prevailing in different jurisdictions while also meeting the needs of the compliance regimes.



## **Accounting Frameworks & Capabilities - Forest Carbon Registries**

- Assess and compile relevant lessons from existing carbon registry practices – focus on key principles of transparency and public accessibility and mechanisms to ensure against double-counting
- Facilitate technical/financial support to MOU states/provinces in developing forest carbon registries for project-level activities (either at the state/province level or at national levels) that build upon and synch up with existing and emerging GHG registry infrastructures

### **Accounting Frameworks & Capabilities – Verification & Enforceability**

- Assess practices for verifying REDD activities in Brazil and Indonesia and reconciling with performance at sub-national and/or national levels, including possibilities of combining third-party certification and verification of project-level activities with sub-national performance indicators.
- Assess mechanisms for ensuring enforceability of international offset credits (*i.e.*, liability rules, insurance instruments, buffers, and/or credit reserves)
- Role of third party verification

## **Coordinating Mechanisms - REDD Planning**

- Using existing approaches, develop a menu of best practices for REDD planning that can be used by the MOU states and provinces and that is consistent with larger national-level REDD planning efforts.
- Assess regional institutions and programs as possible models for multi-state cooperation on REDD planning.

## **Coordinating Mechanisms – Crediting Options**

- Assess viability of different crediting options under state/province and/or national level accounting frameworks
  - ▣ Crediting directly to governments: Regulatory authority (e.g., US EPA) issues credits to state/province based on performance; State/province then issues credits to project level activities etc. based on internal rules
  - ▣ Crediting via coordinating institutions: Regulatory authority (e.g., US EPA) issues credits to regional coordinating institution (e.g., Amazon Fund) which then distributes to states/provinces and/or project level activities based on internal rules
  - ▣ Crediting directly to project-level activities (nested crediting): Regulatory authority (e.g., US EPA) issues credits to approved projects based on performance and reconciliation with state/province or national accounting
- Develop recommendations for regulatory authorities regarding rules for and design or crediting frameworks

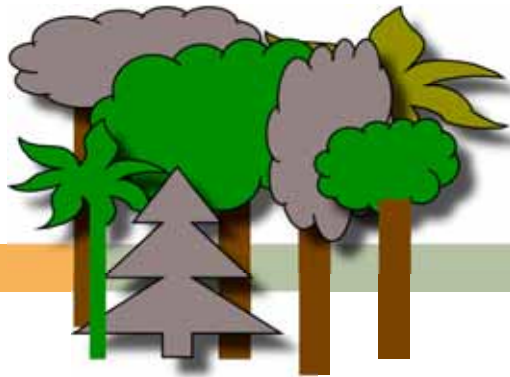
## WG 2 – Scope of Work (cont.)

### **Coordinating Mechanisms - Carbon Revenue Tracking and Distribution**

- Assess existing institutional mechanisms ensuring equitable, transparent, and accountable tracking and distribution of REDD revenues within and between relevant jurisdictions and to relevant actors on the ground
- Example: Amazon Fund + allocation among and within states based on stock-flow model
- Example: *Bolsa Floresta* Program

## **Coordinating Mechanisms - Local Participation & Benefit-Sharing Frameworks**

- Review current activities that ensure local participation and benefit-sharing to distill key lessons and best practices
- Coordinate with existing NGO efforts on these issues and, where relevant, develop model framework(s) and recommendations for local participation and benefit-sharing in REDD activities that will meet requirements of GHG compliance systems



REDD Project achieving emissions reductions through forest protection and sustainable use.

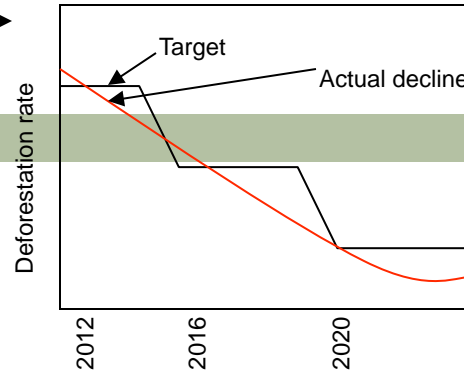


REDD projects all over Mato Grosso state evaluated and **certified**, if they meet standards for compliance in U.S. carbon market.

### Mato Grosso: Registry of Certified REDD Projects

Project #	Location	Carbon Stock
A654-07995	4° 37"S, 59°W	64, 000 TCO <sub>2</sub>
A654-07995	4° 29"S, 63°W	100, 000 TCO <sub>2</sub>

### Mato Grosso: Deforestation Reduction Targets: 2012 - 2020



**2013: Did Mato Grosso Meet its target?**

**YES**

3<sup>rd</sup> party verification



Issue Forest Carbon Credits for sale in US markets



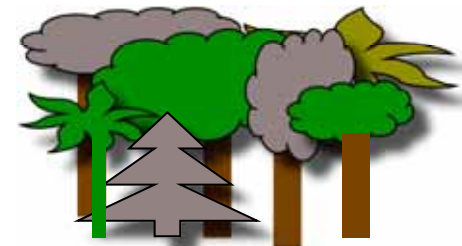
U.S. Carbon Market



Revenue from carbon credits go to REDD projects & communities to finance further deforestation reductions

### Mato Grosso: Registry of Certified REDD Projects

Project #	Location	Carbon Stock
A654-07995	4° 37"S, 59°W	64, 000 TCO <sub>2</sub>
A654-07995	4° 29"S, 63°W	100, 000 TCO <sub>2</sub>



## WG 2 - Action Items for 2010

- WG 2 leadership & composition
- WG 2 deliverables
- WG 2 staffing & support
- Coordination with WG 1 & WG 3



***GCF Meeting  
Los Angeles, CA  
September 28-29, 2009***

## Action Items

- Working Groups
  - ▣ Leadership
  - ▣ Deliverables
  - ▣ Support
- Governors' Summit Letter
- 2010 Meetings & Deliverables
- 2010 GCF Chair
- GCF Expansion
- Copenhagen Efforts

***GCF Meeting  
Los Angeles, CA  
September 28-29, 2009***

## Action Items (cont.)

- Working Groups
  - ▣ WG 1 – Standards & Criteria
    - Leadership
    - Deliverables
    - Support
  - ▣ WG 2 – Accounting & Coordination
    - Leadership
    - Deliverables
    - Support
  - ▣ WG 3 – Needs Assessment
    - Leadership
    - Deliverables
    - Support
  - ▣ Private sector involvement

***GCF Meeting  
Los Angeles, CA  
September 28-29, 2009***

## Action Items (cont)

- Governors' Summit Letter
- 2010 Meetings & Deliverables
  - ▣ GCF 3 Meeting - Aceh – May 2010?
  - ▣ GCF 4 Meeting - Brazil or US – Sept/Oct 2010?
- GCF Chair
- GCF Expansion
- Copenhagen Efforts